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Msangi, Daud Mohamed

University of Dar es Salaam

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Daud Mohamed Msangi

Master of Business Administration (finance)

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The question of fiscal sustainability is very important for adequate macro-economic management. Fiscal sustainability refers to a situation where a country is able to meet its current and future external debt in full without recourse to debt relief measures or without compromising growth. Tanzania's annual Public Expenditure Reviews indicate that there is financing gap that is usually filled by domestic and foreign borrowing. To address fiscal deficit problem Tanzania has implemented various policy measures but nevertheless such measures did not succeed to reduce fiscal deficit to sustainable levels. These measures included National Economic and Survival Programme (NESP) of 1981 and Structural Adjustment Programme (SAP) of 1982. This study looked at the efficiency of Tanzania's cash budget in ensuring a sustainable fiscal deficit. The findings of this study suggest that cash budget has failed to reduce Tanzania's fiscal deficit to a sustainable level but the system has instilled accountability and financial discipline and has improved financial management. In line with the above, the study recommends that the Government should continue to implement the following policy measures hand in hand with cash budget system if sustainable fiscal deficit is to be attained in Tanzania. Expand the tax base and improve its administration so as to realise better collections to match expenditure needs. Intensify public awareness for the people to understand their tax obligations. Link public spending with its impact on economic growth so as to reap from the benefit of a growing economy. Refrain from non-concessional loans and ensure continued adherence to the objectives of the National Debt Strategy in the management of debt. Relax the stringency of the cash budget system with allocations programmed on quarterly basis as opposed to monthly locations.